

Crime Awareness Newsletter

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Department of Defense
Office of the Inspector General
Defense Criminal Investigative Service
Central Field Office



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Indictments

Bank Fraud

A three-count indictment returned against Marcos Castro was unsealed in U.S. District Court, Newark, NJ. Castro is charged with allegedly conspiring to commit bank fraud. Castro and other co-conspirators allegedly received two U.S. Treasury checks that had been stolen by Mocheet Smith, an employee of the Defense Finance and Accounting Service (DFAS) Columbus Center, Columbus, OH. The DFAS checks, valued in excess of \$140,000, were then deposited into two fraudulent business accounts at two financial institutions in New

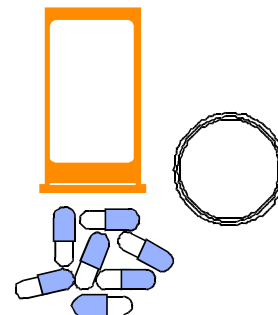
Jersey. Prior to the identification of the scheme, an estimated \$86,557 had been withdrawn from one of the accounts. The Columbus Resident Agency (RA) is conducting the investigation with the USSS.



Health Care Fraud

An indictment was returned against Pamela Sue Butterfield in the Second Judicial District of New Mexico charging her on 10 counts of acquisition or attempt to acquire controlled substances by misrepresentation, 8 counts of forgery, 2 counts of fraud over \$2,000 and 2 counts of fraud under \$250 under the New Mexico State Code. An investigation disclosed that from 1995 through 1997, Butterfield allegedly stole medical records and information from several Albuquerque

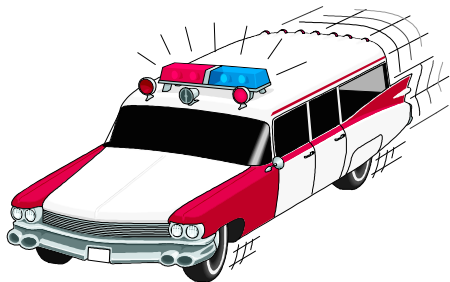
area hospitals while in their employ. Using the stolen information, she assumed the identity of civilian and military dependents to obtain medical treatment and prescription drugs. The Albuquerque Post of Duty (POD) is conducting the investigation.



Property Theft

A one-count indictment was returned in Greenville, TN, against Roy R. Crussell for alleged theft of Government property. An investigation into thefts of Government property from the Defense Reutilization and Marketing Office, Fort Jackson, SC, determined that Crussell, a former shop supervisor for the Area Maintenance Support Activity (AMSA), U.S. Army Reserve, Kingsport, TN, allegedly stole assorted military equipment valued in excess of \$1,000. Crussell then allegedly converted the equipment, which included vehicle parts and tools, to his own use. The AMSA shop maintains tactical military vehicles

in Kingsport, Johnson City and Greenville, TN; Fort Jackson provides maintenance support for the military vehicles or their component parts. The Southeast Field Office (FO) is conducting the investigation with the federal Bureau of Investigation (FBI) and the U.S. Army Criminal Investigation Command (USACIDC).



Health Care Fraud

A 22-count indictment was returned against Price Darrell Acord, Virginia Defir Acord, Ricky D. Acord and Peggy Acord Owens charging them with using City Ambulance of Alabama, Incorporated (City Ambulance), in a mail fraud and money laundering scheme. From January 1991 to April 1996, City Ambulance, a Medicare and TRICARE provider, was used to submit fraudulent claims totaling \$1,015,743 to the Government. The defendants allegedly conspired to submit claims that depicted patients needed transport via advanced life support ambulance service when, in fact, the patients did not qualify for the maximum level of service. The patients actually were being transported to attend

routine periodic kidney dialysis treatments at various facilities. The proceeds from the alleged conspiracy were deposited into the business accounts of City Ambulance and subsequently funneled into the personal accounts of the defendants. The Pensacola POD is conducting the investigation with the FBI, the Health and Human Services (HHS) and the U.S. Postal Inspection Service.

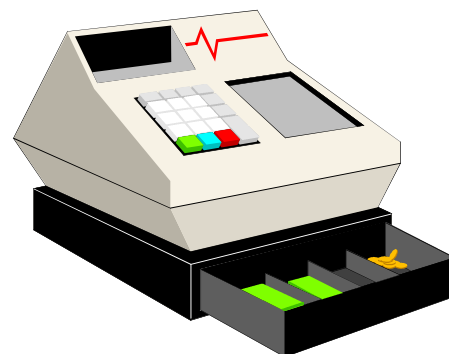
Surety Bond Fraud

An information was filed against James O'Leary, president, Emerald Financial Services, Phoenix, AZ, charging him with one count of making a false statement to the Government. O'Leary allegedly submitted, or caused to be submitted, false statements in support of bid, payment and performance bonds for construction contracts on Department of Defense (DoD) military installations throughout the United States. The Phoenix RA is conducting the investigation with the FBI, the USACIDC and the U.S. Air Force Office of Special Investigations (AFOSI).

Monetary Theft

Criminal complaints were filed in U.S. District Court, Denver, CO, charging Cathy Gaskin, Carolyn Johnson and Louise Fisher with theft and conspiracy to commit theft. An investigation disclosed that Gaskin, Johnson and Fisher allegedly had stolen money from the Defense Commissary, Fitzsimmons Army Hospital, Aurora, CO.

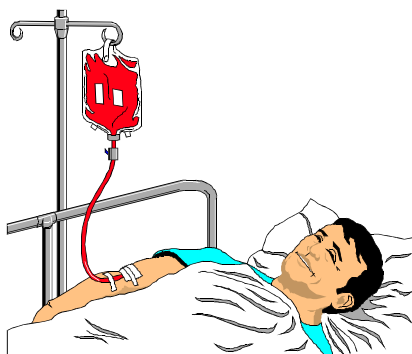
All three were employed as lead cashiers at the Commissary. The alleged monetary loss to the Commissary during an 8-month period exceeded \$40,000. The Denver RA is conducting the investigation.



Health Care Fraud

A 35-count indictment was returned against Alberto Marzan, M.D., charging him with submitting false claims, mail fraud, health care fraud, and aiding and abetting. Indictments for various counts of submitting false claims to the U.S. Government and mail fraud were also returned in the case against the following: Ernesto Magoncia, Tayug, Pangasinan, Republic of Philippines; Mike D. Mercado, Paniqui, Tarlac, Republic of Philippines; Romualdo N. Garcia, Bremerton, WA; Rogelio T. Rosario, Urdaneta, Pangasinan, Republic of Philippines; Segundino Castulo, Tayug, Pangasinan, Republic of Philippines. Another defendant, Francisco N. Manosca, pled guilty to one count of mail fraud. An investigation disclosed that Marzan, who practiced in the

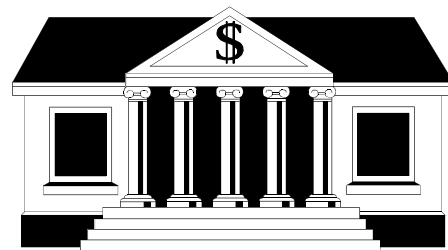
Republic of Philippines, allegedly recruited the other defendants, which were U.S. military retirees, to join a scheme wherein Marzan submitted false claims to TRICARE that claimed the retirees were hospitalized when, in fact, they were not. The claims totaled approximately \$1.5 million of which TRICARE paid over \$1.1 million. The six retirees also allegedly were instructed by Marzan to persuade other retirees to join the fraudulent scheme. In about 1994, the Marzan Medical Clinic closed; however, Marzan continued to submit claims to TRICARE until 1996. The Van Nuys RA is conducting the investigation



Kickbacks

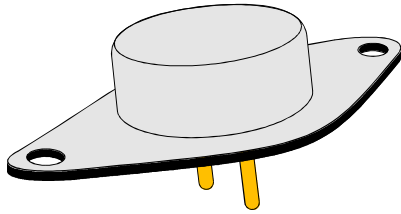
Carl William Kruse, Jr., a general partner in Eastern Electric Company (Eastern), Hampton, VA, pled guilty to one count each of providing kickbacks to an officer of Systems Engineering and Energy Management Associates, Incorporated (SEEMA), Hampton, VA, and providing gratuities to a Government official involved in supervising delivery orders issued under the

Simplified Acquisition of Base Engineering Requirements (SABER) contracts at Langley Air Force Base, VA. From early 1992 through late 1997, Kruse made approximately 57 monetary payments, totaling \$544,560, and two noninterest bearing loans, totaling \$240,000, to an officer of SEEMA. In return, Kruse received favorable treatment on subcontracts for Eastern relating to prime contracts entered into between SEEMA and the Government. While Kruse was acting as the project manager for SEEMA on the SABER contract at Langley, he awarded all electrical subcontract work, including heating, ventilation, and air conditioning subcontract work, to Eastern, a company in which he was a partner. Kruse provided the Government official supervising the SABER contracts gratuities of the installation of three central air conditioning and heating units at two properties owned by the Government official, a jet ski and jet ski trailer. These gratuities have a value of between \$10,000 and \$20,000. The Norfolk RA conducted the investigation with the FBI and the AFOSI with audit assistance from the Defense Contract Audit Agency (DCAA).



Bank Fraud

Hector Caro pled guilty in U.S. District Court, Southern District of Ohio, to one count each of conspiracy to commit bank fraud and conspiring to illegally transport firearms. Caro and other co-conspirators received two U.S. Treasury checks that had been stolen by Mochet Smith, an employee of the DFAS Columbus Center, Columbus, OH. The checks, totaling \$140,000, were then deposited into two fraudulent business accounts at two financial institutions in New Jersey. Before the scheme was uncovered, an estimated \$86,557 had been withdrawn from one of the accounts. As a result of the investigation, the remaining monies in the accounts were frozen. As part of the plea agreement, Caro agreed not to contest the forfeiture of a 1991 Ford Explorer (valued at \$9,000) and \$35,115 in currency that was in the vehicle at the time of the seizure. The Columbus RA is conducting the investigation with the FBI, the U.S. Secret Service (USSS) and the Bureau of Alcohol, Tobacco and Firearms (BATF).



Product Substitution

Charles Kellner, owner and president of Kellner Electronics, Incorporated, Charlotte, VT, pled guilty to wire fraud. Kellner Electronics, a distributor of electronic components such as capacitors and resistors to the DoD and the National Aeronautics and Space Administration, was providing nonconforming products to customers. The scheme involved purchasing large volumes of surplus electronic components, then physically changing electronic values and the identity of the original manufacturer of the product to meet orders placed by customers. Several pieces of re-labeling equipment, as well as products in the process of being altered, were seized at Kellner's facility during the execution of a search warrant. The Hartford RA conducted the investigation with the FBI.

Voucher Fraud

Abigail Evangeline Greene, a management analyst for the Defense Logistics Information Service (DLIS), Battle Creek, MI, was convicted of making false claims, mail fraud and making a false statement to a Federal agent. In May 1997, Greene permanently changed her duty station transferring

from the U.S. Army Tank Automotive and Armaments Command, Warren, MI, to DLIS. She subsequently filed for relocation reimbursement expenses of about \$5,000 with the DFAS in St. Louis, MO, stating her spouse and their two children had contemporaneously accompanied her in the relocation. Actually, Greene's family members had not joined her in Battle Creek until weeks later. In addition, Greene had checked out of her subsistence lodging at various times throughout her temporary quarters subsistence expense period and returned to her previous residence for overnight stays. Greene then misrepresented that she had continued her lodging and submitted claims to the Government for reimbursement. The Chicago POD conducted the investigation.



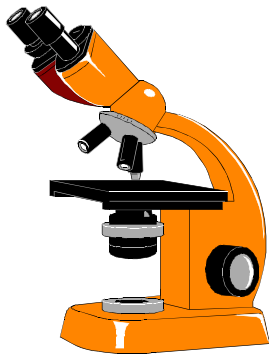
Sentences

Article below withdrawn
by CFO DCIS

Health Care Fraud

An information was unsealed in U.S. District Court, Knoxville, TN, charging Haresh K. Mirani, M.D., and his wife, Hana Mirani, with conspiracy to defraud health care benefits programs, filing false claims and committing mail fraud. The defendants pled guilty and each was sentenced to 6 months home confinement, 300 hours of

community service, 3 years probation, to pay a \$20,000 fine and a \$100 special assessment fee. The defendants also were ordered to make restitution in the amount of \$39,902. Additionally, a consent judgment for \$467,000 to be paid to the Government was signed. Mirani and his wife, owners of the Greater Knoxville Medical Center health care clinic, filed false and fictitious claims for certain diagnostic tests that were not performed until full or substantial payment had been received from the health care programs. The entitlements were covered under the Medicare Part B program, CHAMPUS, now called TRICARE, and others. The Southeast FO conducted the investigation with the FBI.



Product Substitution

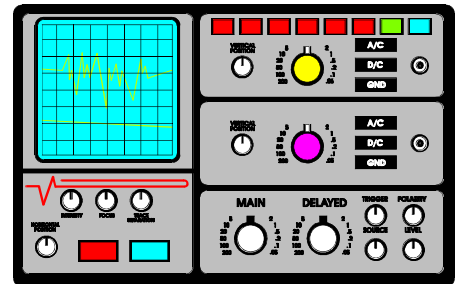
Keith Kesheneff, president, Meadowlands Electronics, Incorporated, was sentenced to 4 months house arrest, 2 years probation (on the condition of conducting no Government contracting work), payment of \$14,558 restitution, a \$5,000 fine and a \$100 special assessment. Kesheneff previously pled

guilty to making false statements to the DoD. From 1993 to 1996, Kesheneff sold nonconforming coaxial cable assemblies to the Defense General Supply Center, Richmond, VA, stating the coaxial cable assemblies were manufactured by Monsco Enterprises. The assemblies actually were manufactured by Meadowlands Electronics. The New Jersey RA conducted the investigation.

Import Violations

Piping Supplies, Incorporated (PSI), Folsom, NJ; Joseph Walker, Sr., a consultant for PSI; and Andrew Walker, a supervisor at PSI, were sentenced in Philadelphia, PA, for conspiracy and removing foreign country of origin markings. The PSI was sentenced to 1 year of probation, a \$17,000 fine, reimbursement of \$3,000 to the U.S. Customs Service and a \$375 assessment; Joseph Walker, Sr., was sentenced to 6 months incarceration, 1 year of supervised release, a \$2,000 fine, a \$75 assessment and 25 hours of community service; and Andrew Walker was sentenced to 2 months home confinement, 3 years probation, a \$2,500 fine, a \$75 assessment and 50 hours of community service. The PSI provided foreign flanges and pipe fittings to the DoD and private contractors after having removed the foreign country of origin markings and restamping the items as being made in America. The Walkers di-

rected PSI employees to alter the flanges and were also personally involved in the alteration process. The Northeast FO conducted the investigation jointly with the Naval Criminal Investigative Service (NCIS) and the U.S. Customs Service.



Product Substitution

Herbert Berman, Neil Wassel, Jorell Associates, Incorporated (Jorell), and Syntar Industries, Incorporated (Syntar), all of Westbury, NY, were sentenced in U.S. District Court, Columbus, OH, for conspiring to commit mail fraud. Berman and Wassel were each sentenced to 2 years probation and a \$5,000 fine; Jorell and Syntar were each sentenced to 2 years probation; all were jointly and severally ordered to pay restitution in the total amount of \$22,534. From March 1992 through July 1995, the defendants conspired with each other and others to fraudulently sell component electrical parts to the DoD for use on various DoD weapon systems. An investigation determined the component electrical parts did not meet contract specifications in that they were not considered

Original Equipment Manufacturer parts, they were sub-standard, or they were surplus parts that were manufactured more than five years ago. The Dayton RA conducted the investigation with the FBI.



Kickbacks

Thomas Smith, Deer Park, NY, was sentenced to 6 months home detention, 3 years probation and ordered to pay a \$10,000 fine for conspiring to make kickback payments. In June 1997, Smith established Aero Specialties Supply Corporation and Aero Specialties Materials Corporation (Aero) with Robert Berger, former president of Royce Aerospace Materials Corporation (Royce), Farmingdale, NY. Aero, as Royce, sold raw materials such as aluminum and titanium to DoD prime and subcontractors. As part of their agreement, Smith paid Berger a percentage of Aero's profits in exchange for Berger's assistance in obtaining business for the companies. In July 1997, Berger pled guilty to making kickback payments to his customers at Royce and began serving a 38-month Federal sentence in February

1998. Between June 1997 and July 1998, Smith conspired with Berger to provide cash kickbacks to their customers in return for the bid information they needed to be awarded the contracts on which Aero was bidding. Many of the purchasing agents paid kickbacks by Smith and Berger were the same ones Berge had pled guilty to making payments to in July 1997. The New York RA conducted the investigation jointly with the Internal Revenue Service (IRS).



Health Care Fraud

Candido Veras, former owner of One-Stop Surgical, Stratford, CT, was sentenced to 4 months incarceration, 4 months home confinement, 3 years supervised release, payment of \$68,701 restitution and a \$200 special assessment fee for mail fraud and filing a false tax return. In an additional action, Reynaldo Diaz, former owner of R&M Surgical, Bridgeport, CT, was sentenced to 4 months incarceration, 4 months home confinement, 2 years supervised release, payment of \$85,810 restitution and a \$150 special assessment fee for mail fraud and failing to file an income tax return. Veras and Diaz

defrauded Medicaid of approximately \$51,480 and \$85,000, respectively, by falsely representing that more expensive, custom-made compression stockings had been provided to Medicaid recipients when, in fact, less costly, ready-to-wear stockings were provided. These investigations were the result of Operation Overdraw, an undercover medical business. The Hartford RA conducted the investigations with the FBI, IRS, HHS and U.S. Postal Inspection Service.

Civil Settlements

Overcharging

Roy Robert Gann, a native American grant recipient, doing business as Tribal Government Institute, paid \$24,351 to the Government to finalize a civil settlement agreement. The grant program, sponsored by the Defense Logistics Agency (DLA), was established to provide assistance to small businesses and nonprofit organizations. The payment by Gann, made through the Western District of Oklahoma, comes as a result of an investigation into allegations that the Tribal Government Institute overcharged the DLA in the amount of \$14,351. The unallowable consultant charges were improper payments Gann made to himself and Mary Margaret Gann, his wife. The Tulsa POD conducted the investigation.



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Phoenix, AZ
Comm: (602) 277-7253/4
Telefax: (602) 277-9890
E-Mail: 30px@dodig.osd.mil

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Comm: (520) 620-7390
Telefax: (520) 620-7388
E-Mail: 30tc@dodig.osd.mil

Long Beach, CA
Comm: (562) 980-4242
Telefax: (562) 980-4249
E-Mail: 50es@dodig.osd.mil

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Telefax: (916) 489-1462
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Telefax: (818) 781-3277
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Denver, CO
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Telefax: (303) 799-8615
E-Mail: 30da@dodig.osd.mil

Hartford, CT
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Telefax: (860) 721-6327
E-Mail: 10hf@dodig.osd.mil

Ft. Lauderdale, FL
Comm: (954) 202-9167
Telefax: (954) 202-9217
E-Mail: 20fl@dodig.osd.mil

Jacksonville, FL
Comm: (904) 855-0991
Telefax: (904) 855-4078
E-Mail: 20jx@dodig.osd.mil

Orlando, FL
Comm: (407) 895-2622
Telefax: (407) 895-2620
E-Mail: 20or@dodig.osd.mil

Pensacola, FL
Comm: (850) 651-6377
Telefax: (850) 651-6962
E-Mail: 20pc@dodig.osd.mil

Atlanta, GA
Comm: (770) 916-9920/9926
Telefax: (770) 916-9937
E-Mail: 20at@dodig.osd.mil

Honolulu, HI
Comm: (808) 541-2590
Telefax: (808) 541-3609
E-Mail: 50hi@dodig.osd.mil

Chicago, IL
Voice: (847) 827-9480
Telefax: (847) 827-3724
E-Mail: 40ch@dodig.osd.mil

Indianapolis, IN
Voice: (317) 542-4009
Fax: (317) 542-4012
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Kansas City, KS
Voice: (913) 551-1350
Telefax: (913) 551-1362
E-Mail: 40kc@dodig.osd.mil


Wichita, KS
Voice: (316) 682-1991
Telefax: (316) 682-1609
E-Mail: 40wc@dodig.osd.mil

New Orleans, LA
Comm: (504) 641-0691
Telefax: (504) 641-0838
E-Mail: 20no@dodig.osd.mil

Boston, MA
Comm: (617) 753-3044
Telefax: (617) 753-4284
E-Mail: 10bn@dodig.osd.mil

Chapel Hill, NC
Comm: (919) 929-4744/4746
Telefax: (919) 967-4325
E-Mail: 20rl@dodig.osd.mil

Baltimore, MD
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Telefax: (410) 529-9052
E-Mail: 60bt@dodig.osd.mil

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